



# FINANCIAL MARKETS ASSOCIATION OF PAKISTAN

An Association incorporated under Section 42 of the Companies Ordinance, 1984.

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## MINUTES OF FMAP TECHNICAL COMMITTEE MEETING HELD AT RBS PAKISTAN LIMITED

Date: 29<sup>th</sup> July, 2010

#### Present:

1. Dr. Naim Abdullah (NA) (In the Chair)
2. Shah Miftah-ul Azim Azmi (MA)
3. Mr. Abdullah Ahmed (AA)
4. Mr. M. Ismail Usuf (MI) (representing NBP)
5. Mr. Zohair Ali (ZA) (representing HBL)
6. Mr. Hanif Akhai (HA)
7. Mr. Salman Zaidi (SZ) (representing MCB)
8. Mr. Saquib Ayub (SA)
9. Mr. Ahmed Fahem Khan (AF) (representing ABL)
10. Mr. Rehan Mir (RM)
11. Mr. Zahid Mansoor (ZM)

#### Agenda for the meeting:

1. Approval of broker accreditation requests before onward submission to the SBP.
2. To discuss any other business within the scope of the Committee with the permission of the Chair.

#### DISCUSSIONS.

The meeting started with a query by HA that four treasurers were being represented by their nominees, and whether this meeting should commence or not. To this, AA replied that as per the TORs of this committee, nominees of the technical committee members could attend the meeting with Chairperson's consent. NA agreed with



AA's response, adding that the nominee has equal voting right as a member in a meeting. HA further queried that since there was only one issue on the agenda, possibly this reflects the non-attendance of treasurers. To which, AA responded that irrespective of how many issues on the agenda, the technical committee has to meet once every quarter, and that the non-attendance of four members is purely for the reason that they are outstation at the moment.

Before discussion on broker accreditation, MA mentioned to the chair that though the accreditation requests have been put forward in the committee, the executive committee will submit a working paper to the SBP with these requests (when approved by the committee) justifying their inclusion on FMAP's panel. NA inquired as to what is the status of dormant/ inactive brokerage houses, to which MA replied that the incumbent executive committee has introduced a process of revalidation of each and every existing brokerage houses, and their revalidation is being done in a phased manner. Those, which do not comply under the revalidation process, have been questioned as to why they are not complying, and given a timeframe within which they need to meet the requirement. AA also informed the committee that though these institutions are dormant/ inactive, FMAP as such couldn't suspend any license of an institution. That has to be done with SBP's concurrence. HA inquired as to the paid-up capital mentioned in the auditor's report of each broker, asking as to whether this is paid-up capital or cash in bank. To this, AA responded that this is paid-up capital, and that the broker accreditation criteria do not mention cash in bank.

NA inquired as to whether the executive committee does its required KYC procedures of each applicant, to which MA replied that the executive committee has followed whatever has been mentioned in the broker accreditation criteria, and this falls outside the ambit of criteria. Moreover, AA mentioned that the current executive committee has initiated the process of validation of brokers via an outsourced arrangement to remove any doubts of bias being involved in broker accreditation. Furthermore, AA said that the auditor's report is not a certification by the auditor that the broker has met the accreditation criteria; it is an impartial report on what the auditor has observed, and the technical committee has to make a decision based on this report.

The three broker accreditation proposals came up for review. AA informed the chair that two are fresh requests (Pearl Securities and Invest One) while the third is a transfer of accreditation request from AMZ Securities to C& M Management. HA objected to the transfer of accreditation request; stating that this should be put up as a fresh request; citing that AMZ Securities was given license by FERC, while licenses are currently

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approved by SBP. To this, both MI and AA replied that FMAP is the current licensing body, and that all existing licenses are now under the umbrella of FMAP; hence this should be treated as a transfer of accreditation request.

Regarding all the broker accreditation requests, SA and HA asked the executive committee to solicit the following information from the applicants, before the technical committee arrives at a decision:

- 1) Form 29
- 2) Beneficial ownership, i.e. besides the shareholding profile, who is the ultimate owner of the company
- 3) Article of association-whether the company is allowed to undertake brokerage business
- 4) Commitment regarding compliance with FMAP Paid up capital requirement of PKR 10Mio for both FX & MM Accreditation

In the case of Invest One, the technical committee advised that the applicant furnish NTN, which is a requirement for broker accreditation. In the case of Pearl Securities, the executive committee was advised to find out from the applicant that since it was mentioned as a public listed company by the auditor, which exchange its listed on. In the case of C&M, HA inquired about the employment status of Atif Saeed, to which MI replied that he has given his assurance to NBP that he will resign from his services, on the conditional approval of his accreditation request.

The next issue that was discussed was the change of name request of Invest Capital Investment Bank Ltd. The Technical committee unanimously approved the change of name of interbank brokerage accreditation of Money Market and Forex Brokerage of Invest Capital Investment Bank Limited to Invest Capital Markets Limited.

NA then asked the technical committee whether there were any other issues to deliberate upon. To this AA replied that the next issue that needs to be discussed is the code of conduct. The technical committee in its last meeting had recommended that the executive committee find ways of improving/enhancing the current code of conduct in practice and bring it in line with current market standards and developments, before presenting it subsequently for review. AA informed the chair that the executive committee had reviewed the current code of conduct and feels that building upon the existing document is cumbersome, as this is an outdated document. Moreover, the AA and MA requested the technical committee to kindly revisit the draft code of document presented to it, and

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recommend what deletions need to be made in it, before presenting it to SBP for concurrence. Alternatively, the technical committee form a sub-committee amongst itself that can suggest an alternate document which it can build upon the current code of conduct.

NA and HA recommended that the draft code of conduct document be reviewed by the executive committee and converted into a concise document, which could be easier to read and implement by the market. After deliberations, it was agreed to give time until the next meeting in which the executive committee not only reviews the draft code of conduct document, but also try to bring a concise version up for review. AA reiterated that there is still a possibility that the executive committee will feel further changes cannot be made in the draft document.

AA further informed the technical committee that three months have passed since the launch of KONIA, and now its time for the trial launch of OIS. In this regard, the OIS sub-committee needs to meet to discuss the next line of action.

The meeting ended with the understanding that inshallah committee would meet again soon.

*Inshallah*

*Imam Abdullah*